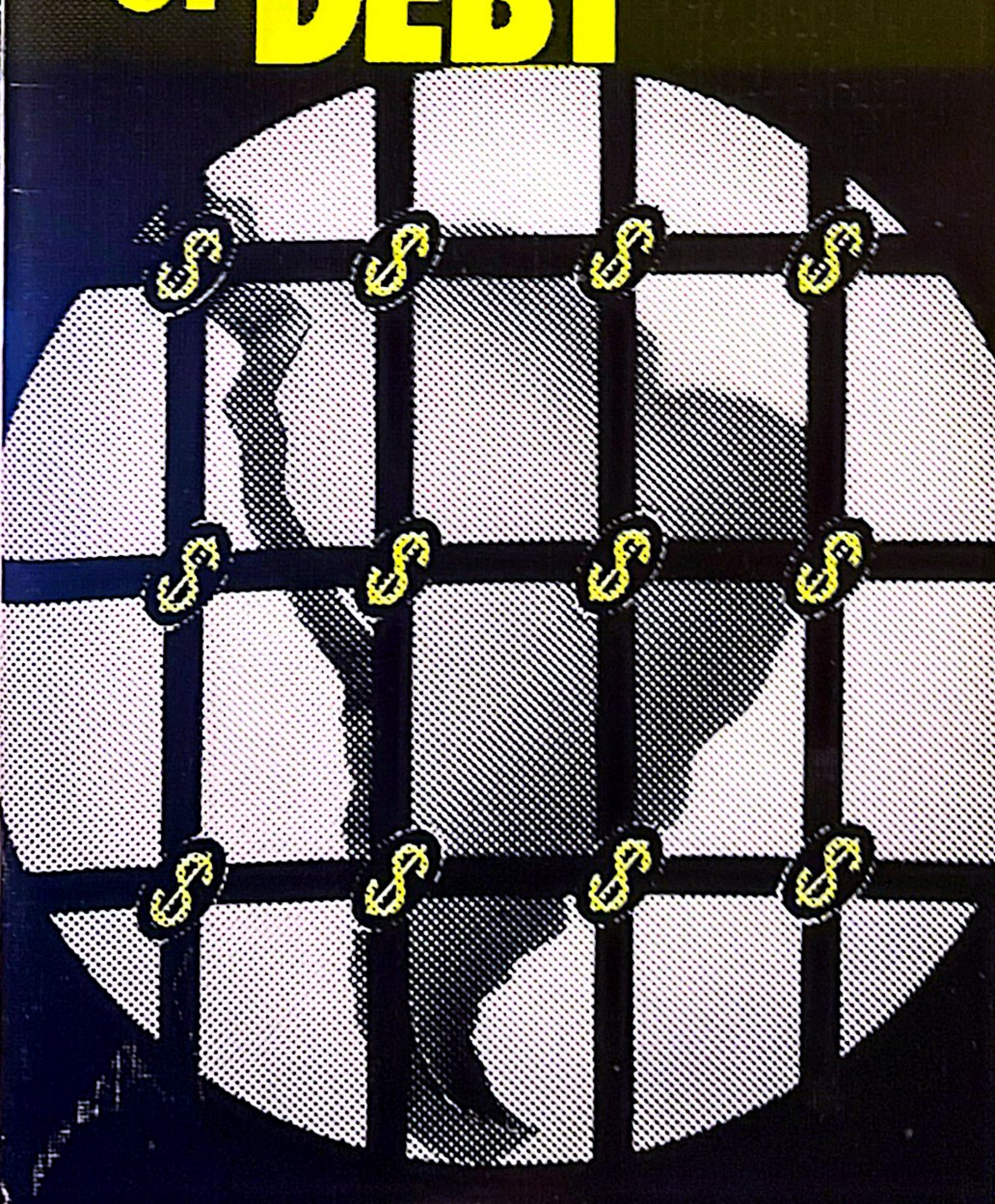
THE BONDAGE OF DEBT



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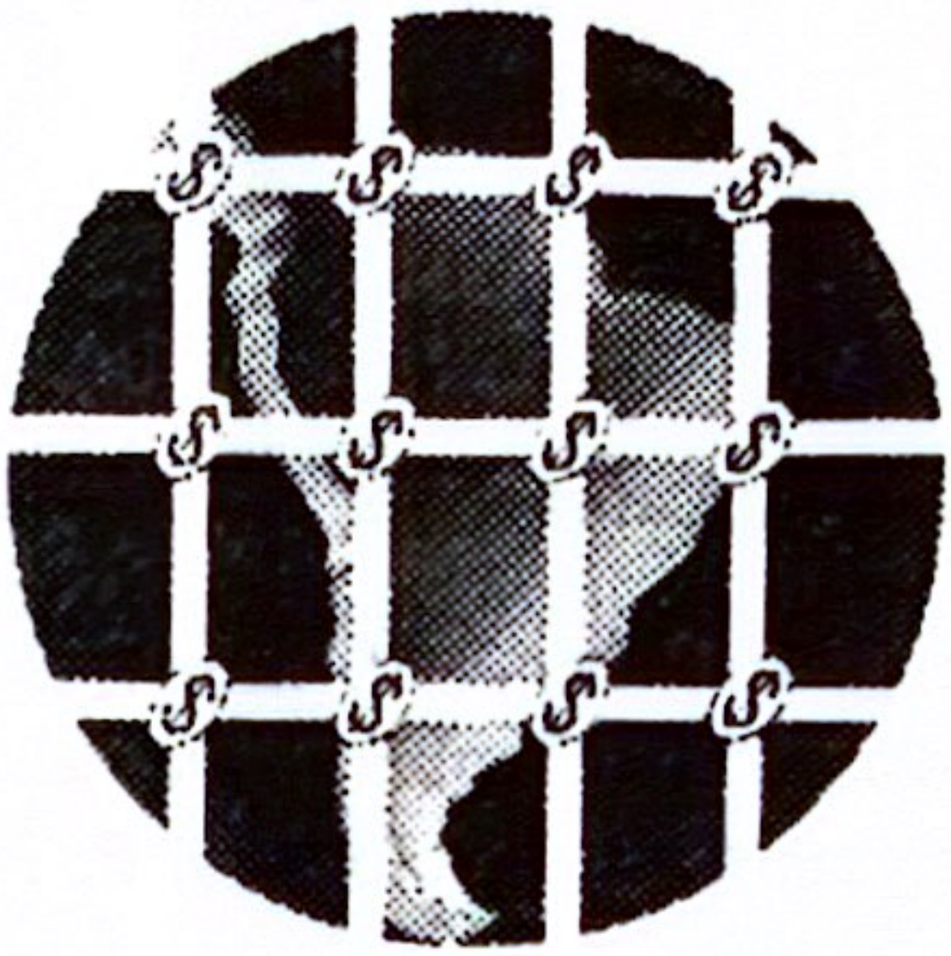

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Legend of the Herbivorous Wolf

The official propaganda of the United States and other imperialist countries has used oceans of printer's ink, mountains of paper and years of radio and television time to depict the loans presented by the West to developing countries as effective assistance in overcoming their backwardness, as a "life buoy for the Third World". The diplomacy of Washington and its close allies has likewise never ceased to claim that this financing is little short of charity and a show of goodwill and awareness of the vital interests of developing states.

The true meaning of "development on credit" can be judged by the fact that by the close of 1985 the total external debt of developing countries had reached nearly 1,000,000 million dollars. The annual interest on these loans exceeds 140,000 million dollars. Particularly indicative is the position of Latin American countries within the world capitalist economy. Most of the states of that region, which have taken the injections of loan capital from the United States and other imperialist centres, have consequently found themselves in the midst of a disastrous financial and economic crisis.

They have in fact fallen into a "loan trap". Latin American countries are unable to ease the burden of their external debt by remitting abroad colossal

funds to pay off the interest and the principal sum of the debt, funds which considerably exceed the supply of new loan capital from imperialist creditors. Debt begets debt. It grows like a snowball.

"The 'mirror' of external debt," summed up the Mexican journal *Estrategia*, "most accurately reflects the policy of imperialism, above all North American imperialism, which, in conditions of crisis, is constantly raising interest rates and presenting our (Latin American—*Authors*) countries with a gigantic bill."[1] The bill is paid by the poverty, famine and unemployment of the working masses of Latin America, by the retardation, suspension or even reversal of its economic development. What is more, imperialist finance capital actually takes in "mortgage" the very future of the Latin American peoples.

The predator remains a predator while the propaganda story that he has switched to a vegetarian diet remains a legend.

An Unbearable Burden

The economy of Latin American countries within the world capitalist system staggers under the immense burden of foreign debt. Today every Latin American—an infant or an old man, a peasant or an engineer, a trader or an office employee, a person of any occupation and age—owes more than a thousand dollars to foreign bankers without having borrowed a cent from them.

By the end of 1984 the total external debt of Latin America amounted to 370,000 million dollars

[1] *Estrategia*. Mexico, September-October 1984, p. 12.

and reached, according to specialists' estimates, 385,000 million dollars by the beginning of 1986.[2] It has grown nearly fourfold in nominal terms during the last decade (1975-1984). Even if correction is made for the change in prices, and the increase in the debt is recalculated on the basis of constant prices, it still remains quite formidable—nearly two and half times. Meanwhile the gross product of the region valued in constant prices has grown by only 35 per cent.

Among the major debtor nations today are Brazil (whose total external debt was 102,000 million dollars at the close of 1984), Mexico (96,000 million), Argentina (48,000 million) and Venezuela (34,000 million dollars).[3] Impressive as these figures are in themselves their true significance is revealed only by comparing them with the economic potential of Latin American countries. This potential is measured primarily by the annual output or the gross domestic product (GDP) of the given state. The comparison shows that the foreign debt accumulated by Latin American countries presently reaches half their aggregate GDP.

Measured in these terms, a smaller absolute amount of external debt of some countries actually means a greater debt burden. In 1984 foreign debt reached 93 per cent of the GDP in Chile, 75 per cent in Costa Rica and Bolivia, 66 per cent in Uruguay and 63 per cent in Panama. It is possible to count on the fingers of one hand those countries of the region where the debt-GDP ratio does not

[2] This includes the state external debt proper, private external debt guaranteed by the state, and private foreign debt not guaranteed by the state under obligations of more than one year.

[3] *Notas sobre la economía y el desarrollo. CEPAL*. Santiago. January 1985, p. 16.

exceed 35 per cent—the maximum rate accepted in international accounts. Another generally accepted limit which has long been exceeded is the 20 per cent ratio of the payment of interest on foreign debt to the foreign-exchange receipts from the export of goods and services. This indicator for the region as a whole has not gone below 35 per cent in the last three years, while in 1977 it equalled only 12.4 per cent.[4]

Such is the average picture. But the situation in some Latin American countries is such that the interest on debt "eats up" practically half of export income. Among these countries are Argentina, Bolivia and Chile. In this case the country is left without funds to pay for the import of such necessities as industrial equipment, spare parts and fuel, which are essential for the normal functioning of their economies.

But interest is by no means the whole picture. Thousands upon thousands of millions of dollars are spent under obligation to repay the principal sum of the external debt. According to the latest data Latin American countries pay nearly 40,000 million dollars annually in interest while the annual repayment of the principal sum under the obligations taken requires another 30,000 million dollars. Nor is this all. A discriminate reader may note that the transfer of profits on foreign investment to the tune of 5,000 million dollars a year should also be added to the debt service payments.

We may mention for the sake of comparison that the total export of commodities and services from the region amounted to about 113,000 million dollars in 1984 and reached approximately

[4] *Notas sobre la economia y el desarrollo. CEPAL*. Santiago. January 1985, p. 18.

120,000 million dollars in 1985. But repayment of debts is known to be made not with the revenues of the whole export, but only out of the favourable trade balance, i.e., the difference between export and import. In 1984 the total favourable trade balance for Latin America was 35,000 million dollars, but it was achieved mainly by sharply reducing imports, which undermines the production potential of Latin American countries in view of their dependence on the foreign deliveries of equipment, industrial raw materials and fuel. Even if the countries in this region manage to keep the level of import low for a year or two through most strenuous exertions and stringent austerity, their annual favourable trade balance in 1985-1986 will not rise above 40,000 million dollars. Comparison of this figure with the amount of debt service payments (interest and repayment of the principal sum) reveals that the burden of foreign debt is bound to grow for a long time, which will be counted not in years but in decades. The need to contract more and still more foreign loans, not in order to step up production but to repay old debts, is quite obvious.

No state is capable of bearing such a burden, particularly in the present harsh conditions of Latin American countries which suffered so greatly from the crisis of 1981-1984. The extortion of the debt tribute from Latin America in favour of the Western creditors was aptly compared by Sergio Correa da Costa, the Brazilian Ambassador to the United States, to "a blood transfusion from the patient to the doctor".

The mention of blood is not simply metaphorical here. Fidel Castro stressed in an interview with the Mexican newspaper *Excélsior* that attempts to repay the external debt of Latin American countries in the present political, economic and social conditions of the region "will turn into rivers of blood for our suffering and impoverished nations, but even that will be not enough".[5]

The utmost reduction of the consumption of the popular masses is indeed the only way at present to repay the debts of Latin America. In these conditions mass starvation, even to the point of death, is by no means a rhetorical exaggeration.

The lack of prospects and absolute hopelessness of the situation is now realized by many within the Washington establishment. Very indicative is the opinion of former State Secretary Henry Kissinger that "these payments simply cannot be made. None of the major debtor countries will be able simultaneously to pay its debt, achieve economic growth and maintain its political and social equilibrium."[6]

To be sure, the acuity of persons like Mr. Kissinger does not extend beyond the admission of the critical situation and of the impossibility of extracting the full amount of debts. The question of the causes of the debt drama and those guilty of it is simply bypassed. Not infrequently the blame is laid on Latin American countries themselves and Latin Americans are accused of mismanagement and squandering. These claims are more than blasphemous. "Our peoples," Fidel Castro said, "are not to blame either for their backwardness or indebtedness. Our countries are not to blame for having been colonies, neocolonies and banana, coffee, ore or oil republics forced to produce raw materials, exotic goods and fuel at low prices and with cheap labour".[7]

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[5] *Granma*. March 30, 1985. Supplement, p. 6.
[6] *International Herald Tribune*. June 25, 1984.
[7] *Granma*. March 30, 1985. Supplement, p. 6.

Imperialist Usury

What are the real reasons why Latin American countries have found themselves in a blind alley? Who in the final count is responsible for the foreign-debt crisis, for the suffering of the Latin American nations? There is no simple answer to this question, for the monetary and finance sphere encompasses a whole complex of difficult problems of Latin American and international significance.

But the principal perpetrators of the debt drama in Latin America are in fact well known. The responsibility of the "industrial powers"—the imperialist states, the United States above all—and of international finance capital, represented by transnational corporations (TNCs) and transnational banks (TNBs), is being exposed at very high levels. President Miguel de la Madrid Hurtado of Mexico has stated: "We are experiencing an unprecedented economic and financial crisis. The rise in interest rates, the curtailment of world trade, and the protectionist measures practised by the industrial states impede the restoration of our economy."[8]

Imperialism, above all US imperialism, has turned Latin America into a bridgehead of TNCs and TNBs. The United States is taking out ever larger amounts of valuable raw materials from that region. It is also here that US monopolies secure the bulk of their profits from the developing world.

The entire history of the economic relations between the United States and Latin America testifies to the unflagging drive of North American monopoly capital to establish its own system of unrestricted exploitation of the natural and labour resources of the region. Eager to preserve its positions there, the United States continues today to use all possible means of political, diplomatic, military and economic pressure. Credit and financial measures have come to play a key role in the strategy of imperialism.

In conditions of the chronic difficulties facing the region's countries in their search for additional resources for stepping up economic growth the United States and other imperialist powers employ the mechanism of external financing mainly for attaining their own commercial, political and other objectives. Credits provided by advanced capitalist states are used primarily for broadening the access of transnational corporations to the raw-material resources of Latin America, for expanding their export and for facilitating the expansion of international monopolies. The region's own economic problems are at best side issues for the transnational corporations and transnational banks. Not surprisingly the receipt of more foreign loan capital and the resulting increase in the credit obligations of Latin American countries were not accompanied by a corresponding expansion of their material and hence financial basis which would ensure the repayment of the credits obtained.

Since the early 1970s, when the share of private, and most costly, credit in the external financing of the region was not above 45 per cent, the United States has been purposefully working to change the structure of the external debt of Latin American states. It was followed by other capitalist financial centres which closed the access of Latin American countries to state loans which are granted on easier terms than those prevailing on the market. The imperialist powers began to force Latin American

[8] *La Jornada*. Mexico, September 28, 1984.

borrowers to turn to more costly private credits, granted on shorter terms. As a result, the share of debt on private credit within the total debt rose to 70 per cent by the beginning of the 1980s.[9]

The situation was aggravated in the early 1980s. While in the 1970s the transnational banks readily offered credits to Latin American countries which were viewed as a zone of quite profitable investment, the situation changed drastically during the period from 1981 to 1984. The economic crisis which had struck the imperialist centres reached the capitalist periphery. At the first signs of a slump the transnational banks drastically curtailed new credits. This happened at a moment when Latin American countries desperately needed credits in order to escape the crisis situation. By so doing international finance capital tightened the noose of debt as it never had done before.

The unprecedented growth of funds pumped out through credit-and-finance channels was accompanied by a major increase in the scale of exploitation in the production sphere. Among the world's developing regions Latin America is the main area of investment of private capital by the United States and other imperialist powers. The expansion of international monopolies has been particularly intensive during the last twenty years. Total direct US investments in Latin America grew from 9,200 million dollars to 38,800 million dollars between 1960 and 1980[10], while the aggregate foreign investment in the region reached nearly 80,000 million dollars.

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[9] *BID. Progreso económico y social en America Latina. Informe 1984*. Washington, 1984, p. 490.

[10] H. Kragenay. *Internationale Direktinvestitionen 1950-1973*. Hamburg, 1975, p. 94; *Survey of Current Business*. Washington, 1983, No. 8.

Maximum profit is the primary motive of the TNCs' activity. To this end they seek to reverse the processes of economic development in the region to suit their own interests. Thus, the policy of import-substituting industrialization, which had been actively pursued by Latin American countries from the 1940s (in order to diversify their industrial structure and thus lessen their dependence on imports and stabilize the balance of payments upset by TNC interference), had a largely opposite effect. The predominant orientation of foreign capital to the production of consumer goods, to building enterprises with an incomplete production cycle and a high share of imported components led in the final count to greater dependence on the import of not only equipment but also of industrial raw materials, semi-finished goods, and spare parts and assemblies.

At the same time transnational corporations took advantage of this main line of Latin American countries' economic strategy to step up the sale of their own goods and capture commanding positions in the leading and most profitable industries of the region. In Mexico, for instance, transnational corporations, mostly North American ones, controlled in the late 1970s more than 80 per cent of share capital in machine building, about 70 per cent in the manufacture of transport facilities, and 60 per cent in the pharmaceutical industry. In Brazil they owned almost all capital of the automotive companies, over 90 per cent of electrical-engineering and 60 per cent of machine-building enterprises. In Argentina TNC branches produced over 30 per cent of the output of the manufacturing industry.

Foreign monopolies also used to their advantage the economic integration of Latin American coun-

tries. Transnational corporations which joined in the implementation of the integration programmes managed to alter their initial objective (of strengthening national economic potentials on the basis of promoting trade exchange and production cooperation among the member countries of the integration unions) and to exercise considerable control over them. As a result, as was noted by UNCTAD experts, the principal beneficiaries of the fruits of the Latin American integration groupings became the transnational corporations.

The amount of profits which TNCs remit from Latin America to the United States has a steady upward trend. It grew from 900 million dollars in 1960 to 1,200 million dollars in 1970 and 3,700 million dollars in 1980. A major portion of these funds is remitted to parent companies to the tremendous detriment of the Latin American countries' balance of payments. The total amount of profits taken out of the region in the last ten years reached nearly 12,000 million dollars, while the inflow of direct private investments equalled only 5,900 million dollars[11]. It is clearly a case of pumping resources created by the toil of the Latin American peoples to imperialist powers, above all to the United States.

In their efforts to expand their positions, transnational corporations and transnational banks take vigorous steps in creating a suitable public opinion in the region. To this end they make every use of the mass media at their disposal, finance political parties and groupings which promote the interests of foreign capital and fabricate slanderous material against Latin American politicians who demand

[11] *Economía de América Latina*. Buenos Aires, 1984, No. 11, p. 123.

the restriction of the international monopolies' activities.

Moreover, TNCs and TNBs, directly supported by the government agencies and special services of the United States in pursuing their objectives, organize subversive actions against Latin American governments conducting the policy of limiting foreign control in the economic sphere. The old "experience" of US banana companies in the Central American republics, then of international monopolies in engineering the overthrow of the João Goulart government in Brazil, was supplemented with new "experience" during the 1970s and 1980s which clearly shows that the corporations will stop at no crime for the sake of keeping their profits. We may recall the participation of the International Telephone and Telegraph Corporation (ITT) and of several other international monopolies in organizing, together with the US special services, the 1973 coup in Chile, the policy and practice of destabilizing the economic and political life in Peru while the Velasco Alvarado government was in power and, finally, the TNCs' support of the Reagan administration's move in imposing a financial and economic blockade against Nicaragua.

Thus the inflow of foreign investment has had grave consequences for Latin American countries. The expansion of transnational corporations has deranged their economic life and preserved and further strengthened their financial dependence on imperialism. What is more, the TNCs are directly responsible for a great share of Latin America's foreign debt. In making ample use of external credits for expanding their activity in the region, transnational corporations in effect grant Latin American states the "privilege" of meeting their, the TNCs', credit obligations. According to some

estimates, about one-third of the total foreign debt of the region is a result of the financial operations of transnational corporations[12].

The imperialist powers have also been increasingly using the exploitation of developing countries for solving their own domestic economic problems. In order to shift the burden of the economic crisis of the early 1980s onto their weaker partners, the advanced capitalist countries substantially limited the supply of Latin American goods to their markets. In 1984 alone the United States imposed restrictions on the import of 200 items, including the products of the metal-making, textile, footwear and other industries and branches of agriculture of the region. Sebastian Allegret, permanent secretary of the Latin American Economic System, described US foreign-trade policies as "arbitrary dispositions that seek to limit Latin America's growth and development".[13] It is a fact that the loss incurred by the region's countries as a result of the foreign-trade protectionism of the imperialist powers and their policy of cutting prices of mineral and agricultural raw materials equals nearly 20,000 million dollars.[14]

No less destructive is the effect of the policy of artificially raising interest rates (which indicate the average level of interest at which bank credits are granted) pursued by the Reagan administration. Washington resorts to this gangster device in order to procure more funds for financing its militarist programmes. This policy costs dearly to Latin American countries. The size of their external debt is such that the increase of interest rates by a mere one per cent means an additional payment by the region of nearly 2,500 million dollars.

On the other hand high interest rates at the financial centres of capitalism attract Latin American capital like a magnet. Thus in 1982 alone private investors transferred 13,000 million dollars from Venezuela and in 1980-1982 more than 22,000 million dollars from Mexico.[15] The total amount of Latin American capital invested in foreign banks (mostly in the United States) is currently estimated at 150,000 million dollars[16].

As we see, simple manipulation of bank rates permits Washington to squeeze vast financial resources from Latin America.

Another important factor is the changing rate of exchange of the US dollar, the dominant currency of the capitalist world. This is of special significance for Latin American countries, which have traditionally belonged to the dollar zone. Latin American debts are given and repaid in US dollars, and the US government has artificially overrated the dollar in recent years. According to some estimates this overrating amounts to 35-45 per cent. Thus Latin American countries receive credits in "cheap" dollars but have to repay them in "dear" dollars. Dollar overrating also increases bank rates and thus stimulates the conversion of capital into US currency and its transfer to accounts in North American banks. It follows that Washington's monetary policy also provokes the draining of private capital from Latin American countries and thus further aggravates their difficult position in the financial and economic sphere.

The question is who helps whom? A comparison

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[12] *Economía de América Latina*. Buenos Aires, 1984, No. 11, p. 155.
[13] *International Herald Tribune*. Paris, November 20, 1984.
[14] *Granma*. April 5, 1983.
[15] *Comercio exterior*. Mexico, 1982, No. 9, p. 934.
[16] *El Financiero*. Mexico, October 11, 1984.

of statistical data clearly testifies that the sums paid by the states of the region as a tribute of debt to imperialism far exceed the credits they receive. Latin America has actually become a pure exporter of capital. During the period from 1983 to 1984 the countries of the region remitted abroad approximately 56,000 million dollars more than they received in the form of credits and loans.[17]

Such is the price which Latin American countries must pay for the "aid" from imperialist powers—a price which is continuously rising. As was justly noted in the Latin American press, "as the production of the national wealth grows in our countries, its ever-growing share is exacted as a tribute to imperialism, thus limiting the possibilities for internal accumulation".[18] This vicious circle created by imperialism has drawn Latin America into the trap of debt bondage.

In these conditions the attempts of the Reagan administration to whitewash the United States and even pose as a benefactor of Latin American countries are uncouth, to say the least. Most Latin American states, which lack funds to pay off not only the principal sum of their debts but even the interest, have found themselves on the brink of financial bankruptcy.

The present external financial policy of the United States is in fact imperialist usury supplemented by political coercion of the debtors.

[17] *El Pais*. Madrid, November 6, 1985.
[18] *Voz proletaria*. Bogotá, May 16, 1983.

Loans Instead of Reforms

It would certainly be wrong to absolve the pro-imperialist circles in Latin America itself from responsibility for the critical condition of the Latin American economy, which has been largely caused by the external debt.

The financial and economic policy of the bourgeois governments in Latin America took shape under the strong influence of Western economic concepts, in particular monetarist theories, which became very widespread in the 1970s. Principles of monetarism—with its emphasis on "open" economy, broad involvement of foreign capital, a "self-regulating" market and the restriction of the role of the state—began to be vigorously applied in the region in the early 1970s. Monetarists claimed that the majority of Latin American countries had already attained the stage of their development at which the economy can be "freed from the tutelage of the state, leaving to it such "superficial" functions as the monetary regulation of currency circulation and wages and control over inflation. Therefore the principal elements of the then adopted models of development were the liberalization of foreign trade and capital movement, the slackening of government regulation of the economy, curtailment of the public sector and the active attraction of private capital, including foreign credits. It should be noted that monetarism took root on Latin American soil because it appealed to the majority of ruling circles due to the fact that it justified the freezing of working people's wages and substantiated the "open door" policy in regard to foreign capital.

The use of foreign credits in conditions of an acute shortage of funds was regarded as much less painful than the consolidation of the domestic financial base through structural changes. The treasury could be replenished by a tax reform whereby higher taxes would be levied on large incomes. But that would infringe on the interests of the propertied sections of Latin American society. A credit reform could be carried out, which would impose strict government control on the resources of the local banks. But this might reduce the profits of the local bankers. Many countries of the region have long needed a land reform which would help expand the domestic market. But that would run counter to the latifundistas' interests. Many other measures could be employed in order to redistribute incomes and reduce the degree of wealth concentration, which is quite high in the countries of the region. But the bourgeois governments wouldn't venture to apply such measures. They chose a solution which seemed "safe" for themselves but was essentially short-lived—the financing of development by means of foreign credits. Thus external debt was used as a kind of substitute for reforms.

By plugging the holes in the balance of payments with foreign loans, the bourgeois governments hoped to steer the ship of economy away from the storm of crisis. Instead the ship foundered on the reefs of oversize debts.

The crisis was aggravated by the fact that credits were often used inefficiently and unprofitably. While one part of the borrowed funds was invested in major projects of economic development another part was spent for nonproductive purposes such as the purchase of arms and the reinforcement of repressive agencies (which was particularly true of countries with dictatorial or authoritarian right-wing regimes). A third part was simply squandered by the corrupt elements at the top of the bureaucratic and military apparatus. The example of Guatemala is very indicative. From 1975 to 1982 eight generals responsible for the purchase of foreign military supplies for their country remitted nearly 250 million dollars to their private accounts in foreign banks. And finally, the top Latin American capitalists, eager not to miss the advantage of "cheap" foreign credits (such as they were in the beginning), contracted loans in a haphazard, often uncontrolled manner, bypassing the local legislature. The borrowed funds were often used to import expensive consumer goods and luxuries, and purchase valuables, land and villas abroad.

The credit expansion of the transnational corporations met with no serious resistance under the conditions of monetarist "liberalization" when government control of the economy was greatly weakened in many countries of the region. Beginning in the mid-1970s bank credits flowed freely into Latin America, whose foreign debt began to grow dramatically. But the swollen debt was not the only result of the absence of rigid government supervision over the monetary sphere and the financial operations of the local capitalists. The "freedom of movement" of financial resources was also fraught with the danger of the massive outflow abroad of local, Latin American private capital. All that was needed for this possibility to become a reality was an external "stimulus". Such a stimulus was duly provided by the policy of Washington and the US financial circles.

The Reagan administration raised bank rates dramatically in 1981 in order to strengthen the

dollar and solve some other problems of the US economy. US private banks followed suit. Thus it became much more profitable to keep one's money in North American banks than in West European ones, to say nothing of Latin American banks, as US bankers began to pay much higher interest.[19] Accordingly, foreign capital began to pour into the financial centres of the United States. That was precisely what the Reagan administration counted on—to have its own expenses covered by money from somebody else's pocket.

This led to irreparable consequences for Latin America. There ensued an unchecked escape of Latin American private capital to North American banks. Later on, when Western Europe was forced to follow suit with the United States and raise its interest rates, capital began to "float" to the banks of Zurich, London and other West European financial capitals.[20]

All this took place when the monetary base of Latin American countries had already been seriously undermined, when the payment dates of the greater part of the external debt had been reached and the foreign-currency reserves of states had been all but exhausted. In vain the monetary authorities of Latin American countries appealed to the patriotism of private capitalists, urging them not to transfer capital abroad at such a critical moment for their homeland. But capital has no homeland,

[19] For example, the "prime rate" at US banks (at which credits are granted to the most solvent clients) jumped from 7 per cent in 1976-1977 to 15 per cent in 1980. It further rose to nearly 19 per cent in 1981; then, after some fluctuation, it dropped to 15 per cent in 1982 and 11 per cent in 1983. By the end of 1985 the "prime rate" dropped somewhat (to 9.5 per cent). Its new level continues to exceed considerably the rates of the 1960s and the first half of the 1970s.

[20] *Comercio exterior*. México, 1982, No. 9; 1983, No. 5.

or rather its homeland is where the profit is greater.

The governments of some countries of the region tried to introduce currency restrictions in an attempt to stop the immense drain of capital. But the timid restrictive measures taken with due regard for the policy of the International Monetary Fund (IMF) were of little avail. The most substantial barrier in the way of fleeing national capital was erected by the Mexican government. The outgoing president, José López Portillo, issued a decree in September 1982 on complete foreign-currency control and nationalization of private banks. But this measure was clearly belated. By that time a major portion of the capital of Mexican rentiers had settled in foreign banks. Moreover, Mexico soon began to ignore many of the decree's provisions under pressure from the IMF.

So the cosmopolitan Latin American bourgeoisie resolutely opposed national economic security and thus greatly contributed to the foreign-debt crisis.

The progressive forces of Latin America quite justly regard the flight of capital as financial sabotage and a crime against nations. The Declaration of the Political Commission of the United Socialist Party of Mexico pointed out: "The national wealth created by the toil of the people ... is being plundered not only by imperialism but also through the actions of our financial bourgeoisie and other sections of the ruling class"[21].

So local private capital "floated away", foreign-currency reserves were being exhausted and export revenues of Latin American countries fell while debt obligations grew at a catastrophic rate. In that critical situation the region's countries, unable to

[21] *Declaración de la Comisión Política del Partido Socialista Unificado de México*.—"Asi es", Mexico, 1982, No. 31, p. 16.

pay off their debts, began to terminate or suspend payments.

Creditors' Dictate

The credit default of debtor countries was nothing new to capitalist bankers. But cases of insolvency had been quite rare and usually involved lesser countries with relatively small debts, while the loans in default in the 1980s were large enough to paralize the functioning of the entire capitalist banking system. The debts of just three states—Argentina, Brazil and Mexico—exceeded all the resources of the International Monetary Fund. The unprecedented situation caused panic in Western banks and stock exchanges where teletypes choked with alarming information which resembled war dispatches, for at stake was nothing less than monopoly profits.

The first reaction of bankers to the suspension of debt payments was quite uniform: frightened by the risk of huge losses, they began to limit and even stop the crediting of Latin American borrowers. But these actions aroused the grave apprehensions of governments and monetary authorities in the capitalist centres in view of the acute financial crisis and mounting social tension in the region. They urged crediting to be resumed lest the mountains of debts piled up with the help of transnational banks should come crashing down on the latters' head. Another argument was the danger of organized united actions of the debtor nations. The Western financial circles, anxious to avoid such developments and keep the course of the crisis under control, took urgent steps to settle

the debt situation. The operations for the "rescue" of the debtors were directed by the International Monetary Fund, which is known to be at the bidding of the United States.[22]

To bring about a greater effect, the credit manipulations of the IMF were joined by commercial banks, the creditors' coordinating committees, bankers' "clubs" and the central banks of the advanced capitalist states represented by the Bank for International Settlements (BIS). Thus an international system for pressuring the debtors was set up and put into operation.

Transnational banks are known to consent to defer debt service payments or grant new credits only after the debtor country has contracted a loan from the IMF to guarantee the continued crediting on the part of the TNBs. A compulsory condition for granting such a loan is the acceptance of the IMF's "recommendations" concerning the domestic financial and economic policy of the recipient state. In signing the so-called "charter of intentions", the loan debtor country agrees to comply with such demands of the fund as the reduction of state allocations for social and economic purposes, a "freeze" on the wages and salaries of working people, liberalization of foreign trade, the lifting of foreign-currency restrictions, and measures to improve the "investment climate" for foreign monopolies. A recipient country can get IMF's assistance only if it fulfils these requirements. Latin Americans joke bitterly that "the agreement *of* the

[22] The United States' largest share in the IMF capital and the support of obedient "allies" ensure Washington's predominance in that organization and enable it to bend the IMF's policy to suit US purposes disregarding the interests of IMF member states, which oppose imperialist policies.

Fund (to grant loans—*Authors*) means an agreement *with* the Fund"[23].

The growth of Latin America's debt liability in the 1980s considerably enhanced the IMF's capacity for applying financial levers of pressure. When Mexico asked its creditor banks for a deferment of debt service payments in the midst of the acute financial crisis of 1982 it was granted only three months on condition of signing the inevitable agreement with the IMF. And when the Mexican government submitted to the fund's initial demands (in particular, to lift the recently adopted currency control) the IMF stipulated additional credit obligations.

Brazil is another typical example. It began to receive new loans after signing an agreement with the IMF in 1983, then the fund suspended financing because not all its "recommendations" had been carried out. This was a signal for the transnational banks also to stop crediting. It was only after Brazil agreed to the IMF's new stipulation that its external crediting was resumed.

Similar tactics were applied to Argentina. In March 1985 the IMF blocked part of the credit it was to receive under the 1984 agreement.

International finance capital, which is in a position to exert pressure on such large and relatively developed states as Argentina, Brazil and Mexico, simply dictates its will to smaller and more dependent countries.

There is no basis for doubt that international finance capital represented by the IMF strives not only to impose its will on the debtor nations but

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[23] *Expansión: economía, negocios, finanzas*. Mexico, 1982, No. 351, p. 1.

literally "to keep them on a short leash". Financial dependence thus becomes a factor which Latin American states cannot ignore in matters of their foreign and domestic policy.

Mounting pressure is also being applied, above all by the United States, along the lines of bilateral inter-state relations. There is talk in Washington of passing a bill to make the granting of loans to developing countries dependent on their position at the United Nations, i.e., on how the given state votes on matters of special interest to Washington. Thus the dual tactics of trying to "buy" support on the international scene and to punish the "recalcitrants" are used.

"Debt blackmail" for political ends has become routine practice with US diplomacy. Increasing pressure has been recently put on the Peruvian government which has announced a reduction of its debt payments and has refused to negotiate with the creditors on the terms of the agreement with the International Monetary Fund. "Debt blackmail" is carefully disguised, of course, and the "persuasion" of Latin American statesmen takes place behind tightly closed doors, but some information trickles out. Much can be gleaned from an analysis of facts reflecting the actual refinancing of foreign debts. Fragmentary data and reports add up to a general picture which proves beyond any doubt that Washington manipulates the "debt lever" to force Latin American countries to side with the White House in the conflict in Central America or at least to take an onlooker's stand, renounce active solidarity with the peoples of Nicaragua and El Salvador and cooperation with the socialist community and refrain from criticizing the United States and the military-dictatorship regimes, from supporting demands for disarmament,

detente and democratization of international relations.

The development of the financial crisis vividly testifies to the fact that the settlement of debts, which is forced upon the region's countries by international finance capital, does not solve the basic problems or remove the causes of the crisis, but rather, provides a short-lived and, in fact, illusory respite. In 1984 six Latin American countries (Brazil, Mexico, Argentina, Ecuador, Chile and Peru) which had been granted deferment earlier, were again faced with imminent bankruptcy and the need to extend the term of payment of their debts. Although the creditors agreed to make some insignificant concessions,[24] the terms of revision (the time limits and conditions of repayment of the debts) remain very difficult for Latin American states, whose economy has been undermined by the crisis. It should be remembered that deferment applies only to the repayment of the principal sum while the payment of interest remains compulsory. Debtors which fail to pay the interest in time must pay heavy penalties to the banks.

The only real financial objective of the prescriptions handed down by the IMF and supported by the transnational banks and the governments of the United States and other powers—Latin America's principal creditors—is to ensure the profitable movement of loan capital in the exclusive interests of the creditors. These last disregard the critical situation of their debtors in full conformity with the logic of usury. As a Mexican economic

[24] The reduction of the bank margin at which the creditor banks refinanced part of the debts was insignificant: for Brazil the margin stood at 2 per cent above LIBOR (at London interbank offered rates) in 1984 (as against 2.18 per cent in 1983), and for Mexico, 1.13 per cent (as against 1.88 per cent).

journal summed it up, "rather than alleviating the foreign-economy problems of Latin America the IMF only further aggravates them ... The consequences of the treatment by and interference of such a 'doctor' only exacerbate the disease."[25]

"The Neutron Bomb Reversed"

This is how President Raúl Alfonsin of Argentina described the consequences of the immense external debt of Latin American states.[26] Why "reversed"? Because a neutron bomb kills masses of people and leaves material values intact, while the debt "pump" sucks out material values and leaves the people. But the final result is the same since people deprived of the means of subsistence are doomed to death.

The condition of the masses in capitalist America is worsening at an unprecedented rate. According to the data given by the Economic Commission for Latin America (ECLA), per capita national income in the region at the end of 1984 was much below the 1977 level and only slightly above the 1975 level.[27] But these average figures for different countries and different sections of the population conceal the profound social inequality in the distribution of economic difficulties. It is well known, however, that the working masses suffer the greatest hardships.

By the beginning of the 1980s the number of

[25] *Economía de América Latina*, 1981, No. 7, p. 107.
[26] *El País*. Madrid, May 13, 1984.
[27] *Notas sobre la economía y el desarrollo*. January 1985, p. 11.

Latin Americans living in conditions of extreme poverty—according to ECLA classification—exceeded 130 million (more than 35 per cent of the region's population)[28]. The share of "extreme poverty" grew from 10 per cent in 1970 to 30 per cent today even in Argentina where the living standards are much above those in most Latin American countries.[29]

Although official government statistics for the region as a whole show the number of fully unemployed to have risen from 6-7 per cent in the second half of the 1970s to 10 per cent in 1983 (25 per cent if the partially unemployed are counted), even Henry Kissinger was forced to admit that over 30 per cent of Latin America's able-bodied population are unemployed at present.[30]

But even those who have managed to keep their jobs constantly feel the decline of real incomes. The wage-freeze policy is not the only explanation for this. The fact is, that while wages are frozen, prices remain mobile. Inflation is constantly on the rise in the region's countries. It amounted to 56-57 per cent in 1980-1981, rose to 84.5 per cent in 1982 and to 130.8 per cent in 1983. Next year it reached a 160-170 per cent level and in 1985 amounted to 610 per cent according to ECLA preliminary estimates. Though this average regional figure was mainly due to the "contribution" of Bolivia where there was superinflation (consumer prices grew by 20,500 per cent), inflation in

[28] *CEPAL-PNUD-UNICEF. La superación de la pobreza: una tarea urgente y posible*. E/CEPAL/G. 1308, May 9, 1984 (*Comercio exterior*. August 1984, p. 761).

[29] *Conferencia de Athos Fava*. Buenos Aires, April 28, 1985, p. 2.

[30] Henry A. Kissinger. *"Solving the Debt Crisis: What's Needed Is Statesmanship"*. *International Herald Tribune*, June 25, 1984.

many other Latin American countries also considerably exceeded the average regional figures of the past years. In Brazil, for instance, it rose to 218 per cent and in Argentina to 463 per cent.[31]

Even if wages and salaries are periodically adjusted in view of the rising prices, this can by no means compensate for inflation. A case in point is Mexico, where the situation is on the whole better than in most Latin American countries. In 1982 wages and salaries were raised in that country by 29-30 per cent while the inflation reached 99 per cent. In 1983 wages and salaries were increased by 25-28 per cent while inflation rose to 81 per cent.[32] *Newsweek* magazine wrote that the average wages in Mexico, even with inflation deducted, dropped by 25 per cent between 1981 and 1983.[33]

According to the last annual IBRD survey average real wages fell during the 1981-1984 period by 30 per cent in Mexico and by 23 per cent in Brazil. Wage income of the citizens in other Latin American countries also fell rather substantially.

Raúl León Torras, Minister-President of the National Bank of Cuba, had every grounds to state at a press conference held in London in May 1985 that in terms of living standards Latin America had regressed by at least 10 years. Regression would be even greater, León Torras stressed, if the region's countries continued to follow IMF recommendations.

Washington propagandists and their Latin American yes-men attempt to prove that the critical

[31] *Notas sobre la economía y el desarrollo*. January 1985, p. 13.

[32] *Estrategia*. Mexico, September-October 1984, p. 50.

[33] *Newsweek*. April 16, 1984.

situation in the Latin American economy is due to quite different factors. It is true that today they seldom try to explain the Latin American crisis by the "excessive fertility" of the region's population and its accelerated demographic growth. The currently prevailing trend of the Western bourgeois propaganda is to place all the blame on the world cyclical crisis of the early 1980s from which all have suffered.

But the whole point is that Latin American countries have suffered much more than those of other regions. The crisis and depression lasted for two years (beginning in 1980) in the United States and about two and a half years in Western Europe. The crisis and depression, which had spread to Latin America in 1981 through external economic channels from the capitalist centres, lasted for four full years there. As a matter of fact the prospects for recovery are very uncertain in many of the region's countries even in 1986, and in some of them depression continues to this day. Besides, Latin America incurred much heavier economic losses than the capitalist centres. The region's per capita gross domestic product dropped by nearly 9 per cent during the last crisis (1981-1984).[34] The drop in GDP exceeded 11 per cent in eleven Latin American countries and 14 per cent in six countries. The corresponding figure for the 1980-1982 cyclical crisis was 0.8 per cent for the United States, 0.4 per cent for Britain and nonexistent for Federal Germany.[35] Italy and France showed only a considerable decline of the growth rate of per capita GDP.

[34] *Notas sobre la economía y el desarrollo*. January 1985, p. 12.

[35] Calculated according to: *OECD. Main Economic Indicators*. Paris, May 1984; *Monthly Bulletin of Statistics*. New York, 1984, No. 12.

But why was the cyclical recession more protracted, more widespread and more destructive in Latin America than anywhere else? Those who would say that the economy of Latin American states is weaker and more vulnerable than that of the advanced capitalist countries would be quite correct. And the causes of this weakness and vulnerability are, above all, the imperialist policies of the United States and its close allies, the subordinate position of Latin American countries in the world capitalist economy, and the exploitation of the region's nations by foreign entrepreneur's and loan capital, i.e., by transnational corporations and transnational banks.

It can be stated with absolute certainty that the weakness and vulnerability of Latin American economies were manifested with particular clarity during the cyclical slump of the early 1980s, and the crisis was particularly prolonged and severe because those economies were strangled by the money-lenders' noose. The unprecedented increase in interest rates as a result of the economic situation in the United States and the Reagan administration's policy with its emphasis on militarization, and the drastic deterioration of the conditions of external crediting caused a colossal drain of capital from Latin America and a literal financial famine at the region's gravest moment, i.e., in the midst of the crisis. The crisis was aggravated by the growing size and cost of the debt and the usurious policy of the principal financial centres of capitalism (above all the United States).

Therefore allegations that the IMF and the TNBs propose anti-crisis measures to their Latin American debtors are at variance with reality, to say the least. Undeniable facts prove the opposite: the prescriptions which the International Monetary

Fund, the transnational banks and the financial strategists in Washington impose upon Latin American countries constitute a pro-crisis, not an anti-crisis, programme. Aldo Ferrer, a prominent Argentine economist and bank president of the Buenos Aires province, stated in this respect: "The North American policy is a real disaster for the indebted developing countries".[36]

The US president has repeatedly stressed that Washington's position on the settlement of debts remains unchanged, which means that everything should stay as it is. The *Los Angeles Times*, commenting on the reaction of the leading creditors to the demands put forward in the joint message of the heads of state of Argentina, Brazil, Colombia and Mexico to the economic conference of the seven leading capitalist powers held in London in 1984, wrote that led by President Ronald Reagan, the big creditor governments rejected a "scheme of shared responsibility" for easing the debt burden, that the Latin Americans were told to work out their problems case by case with international banks that held 80 per cent of the debt and which collected interest at an annual rate of $40 billion.

The same thing happened at the Big Seven conference held in Bonn in May 1985 despite the fact that the developing countries' demands for a change in the West's policy had been supported by a message to the conference from UN Secretary-General Pérez de Cuéllar. The decisions of the conference on that matter had been "programmed" beforehand. In his interview with the Spanish agency EFE on the eve of the Bonn conference, president Reagan made it clear to the debtor nations that they were bound duly to pay the

[36] *El Pais*. Madrid, May 27, 1985.

tribute of debt in spite of anything and should not pin any hopes on a unilateral moratorium. There was an implied threat in the president's remark to the effect that moratoria on the payment of external debts are not in the interests of the debtor countries.[37] What would be the consequences of a moratorium? Ruthless economic sanctions or gunboat diplomacy? This and much more is quite possible in view of the numerous instances of economic blackmail and state terrorism practised by the present US administration.

Certain differences among the Big Seven came to light at the Bonn conference, where some West European delegates expressed their readiness to agree upon certain compromises. But the US delegation wielded all of its influence to make the Bonn conference ignore the demands of the debtor countries for a direct political dialogue with the creditors on a multilateral inter-state level and for the assumption by the creditors of their share of responsibility for the external-debt crisis and for a radical change in their position on questions of international economic relations. During a press conference after the Big Seven conference chancellor Helmut Kohl of the Federal Republic of Germany read a joint communique which said nothing new about the problems of external debt. These problems were supposed to be handled, as before, case by case along IMF lines and depending on the cyclical upswing of the Western economy.[38]

Even according to optimistic forecasts based on the premise that Latin America would resume after 1984-1985 relatively high growth rates compar-

[37] *Granma*. May 6, 1985.
[38] *Ibid*.

able to those of the 1960s and 1970s (which in itself is very doubtful), the region's countries will not be able to reach the standard of living they had in the early 1980s before 1990.[39] As a result the 1980s will be, in the words of Enrique Iglesias, former executive secretary of ECLA and now Minister for Foreign Affairs of Uruguay, "the lost decade of Latin American growth."[40] In fact the next decade may also prove to be "lost" if international finance capital continues its current policy as regards Latin American states and the developing countries as a whole, if the latter do not secure decisive changes in the system of economic and financial relations with the imperialist centres.

Meanwhile, the position of the principal creditors has hardly changed, as was evidenced, for instance, by the conference of IMF and IMRD member countries held in Seoul in October 1985. The so-called Baker Plan proposed by the US delegation essentially consists of promises of more billions of dollars if the debtors "behave themselves" and offers practically no changes in the terms of crediting. No wonder the Baker Plan aroused disappointment and indignation in Latin America.

Simple mathematical calculations show what is in store for Latin American countries if the old "rules of the game" remain unchanged. Such calculations were cited by Fidel Castro in an interview with the Mexican newspaper *Excélsior*. He examined four hypotheses assuming, it should be noted, far from the worst possibilities. The calculations for all the hypotheses are based on the premise that the debt will not grow. The first hypothesis assumes a deferment of ten years on

[39] *Economist*. London, May 12, 1984.
[40] *International Herald Tribune*. November 20, 1984.

the repayment of the principal sum, the interest being paid during that period. The repayment of the principal sum of the debt is to be made during the next decade, with the interest not exceeding 10 per cent. On such terms Latin America would have to squeeze out of its economy almost one million million dollars in 20 years. The second hypothesis sets the maximum rate of principal sum repayment at 20 per cent of the value of exports and the interest rate at 10 per cent per annum. In this case the region's countries would have paid to the creditors 400,000 million dollars in twenty years, while the sum of the debt would triple (up to 1,162,000 million dollars) compared to the present figure. The third hypothesis assumes a 10-year deferment, including the payment of interest, and an additional 10-year period of repayment on condition that the interest will not exceed 10 per cent during the period. On these terms Latin American countries would have to pay 1,447,000 million dollars in 20 years. The last hypothesis proposes a reduction of interest up to 6 per cent, a 10-year deferment, including the payment of interest, and an additional 10-year period of repayment of the principal sum. In this case, which is the most favourable of the four possibilities, Latin America would still have to pay to the creditors over 857,000 million dollars in 20 years.[41]

Any of the variants examined above would leave the tribute of debt far beyond the utmost capacity of the region's economy, of the meagre family budgets of the overwhelming majority of Latin Americans. Fidel Castro stressed that "...if the problem of debt is not resolved, if attempts are made to have it repaid at any cost, if the formulas

[41] *Granma*. March 30, 1985. Supplement, p. 6.

of the International Monetary Fund are implemented, this will cause immense social upheavals."[42]

In September 1985, exactly three years after Mexico announced its insolvency, which caused a shock in the Western financial circles and marked the beginning of the debt crisis, that country once again caught the world's attention, this time by the disastrous earthquake which took thousands of lives. According to estimates by ECLA experts, direct material loss due to the earthquake exceeds 4,000 million dollars. But even after the natural calamity Mexico is forced by the creditors to continue its debt payments which annually amount to more than the losses caused by two or three earthquakes such as the September one.

The economic and social costs to be borne by the region because of the accumulated external debt are enormous. The payment of only the principal sum of Latin America's foreign debt (without interest) would cause losses equal to those caused by nearly a hundred cataclysms like the September 1985 earthquake in Mexico.

The prolonged reduction of the living standards, the unprecedented expansion of the "poverty zone", and the lack of any prospect of an improvement in living conditions in the foreseeable future—all arouse the just protest of the masses and urge them towards resolute action in defence of their interests. It would be appropriate here to recall a warning given at the Latin American Economic Conference held in Quito in 1984. Osvaldo Hurtado, then President of Ecuador and the initiator of the conference, stated at the opening session of that representative forum: "If a way out of the critical situation of our nations is not

[42] *Granma*. March 30, 1985. Supplement, p. 8.

found, this may lead to the emergence of a new destabilizing hotbed of serious social and political conflicts which will inevitably lead to upsetting the present precarious international equilibrium."[43]

The Cup of Patience Is Overflowing

The social tension in the region has reached a point when actions of vigorous protest sweep practically all its countries. These actions are characterized by distinctly new features. The massive and resolute protests manifest an awareness of the causes of the grave faults of the existing social system, particularly of those generated by the economic policy dictated by the IMF and the transnational banks, backed by the government circles of imperialist powers, above all the United States.

The most urgent problems, such as the need to raise wages and salaries, maintenance of the existing employment level and the reduction of unemployment, curbing runaway inflation and the necessity of freezing prices, come to the fore in the course of the actions of protest. All these demands are directly linked with the mass condemnation of the shackling terms of foreign financing imposed by the IMF and other capitalist creditors. The Mexican newspaper *El Dia* wrote that "the working people of Latin America are becoming in-

[43] Quoted from "Política de ajuste y renegociación de la deuda externa en América Latina." *Cuadernos de la CEPAL*, No. 48, Santiago. 1984, p. 79.

creasingly aware of the close connection between their living standards, wages and salaries, the high cost of foodstuffs and basic services, and the recommendations enforced by the IMF".[44]

The cup of popular patience is overflowing, as is clearly demonstrated by the recent events in Brazil, the Dominican Republic, Peru, Jamaica, Bolivia, Ecuador, Panama and many other countries of the region. Let us recall some instances of the working masses' reaction to the growing burden of debts and the declining living standards in the last three years.

The situation of the Brazilian working people was badly aggravated as a result of the "austerity measures" as a condition on which crediting was resumed by the IMF and the transnational banks. In 1983, the hardest year, the residents of the poor districts of the biggest cities (Rio de Janeiro and São Paolo), where the drop in real incomes was particularly painful, driven to desperation by misery and hunger, went on the streets and began to break into food storages and shops. In São Paolo alone one person was killed, 127 were wounded and more than 600 arrested during three days of clashes between the poor and the police.[45]

Almost two hundred major strikes were staged in Brazil within only two months of the "new republic" (from mid-March to mid-May of 1985). In April and May strikes were held by metalworkers, machine builders, cane cutters and aircraft company and surface transport workers. "The social pact proposed by the government," stated Luis Inácio da Silva, leader of the Working People's Party, "cannot be concluded as long as the authorities implement the programme of economic recovery recommended by the IMF." The acuteness of social tension has not yet declined.

A mighty wave of protest swept the Dominican Republic in April 1984. After another round of talks with the IMF the government lifted restrictions on the rise in prices of flour, bread, vegetable oil, medicines and fertilizers. The reaction of the masses was violent and all-embracing. The flame of popular wrath was first ignited in one of the crowded workers' districts of the country's capital, where the level of unemployment is exceptionally high and where the traditions of active struggle have survived. It then spread almost all over the country. The persistent protests against the rising cost of living, unemployment and hunger grew into a nationwide riot. The working people came out directly against the shackling IMF terms which entailed a continuous rise in prices, the devaluation of the Dominican peso, a wage freeze and the reduction of social allocations. The working people protested under the slogans "Get out of the country, cursed IMF!" and "No to price rise!" The use of police and army units against the demonstrators brought the confrontation to the limit. The tragic outcome of the April events was more than 100 killed, about 400 wounded and over 4,000 jailed.

In the words of Narciso Isa Conde, General Secretary of the Dominican Communist Party Central Committee, "the principal cause of the present critical situation is that our society can no longer submissively tolerate the terms of the Agreement on Special Drawing Rights signed with the International Monetary Fund".

The causes of the April events were not eliminated but further aggravated, for the "economic

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[44] *El Día*. Mexico, July 20, 1984.

[45] *Newsweek*. April 18.

stabilization" measures led to the still greater impoverishment of the masses and hence to higher tension and more acute struggle. Another wave of unrest came in January 1985 after the government ordered a sharp rise in the prices of petrol and other petroleum products. The cost of foodstuffs, municipal transport fares, and electricity rates also went up. The disturbances began in the capital, then spread to the provinces. Police and army units were brought into action again. As a result about 50 persons were wounded and many arrests were made. In reply a 24-hour nationwide strike was called in February on the initiative of the leading trade unions and opposing political organizations. The strikers resolutely demanded the cancellation of agreements with the IMF, an end to repression, and the release of those arrested. The struggle of the Dominicans against the government's submission to the creditors' diktat continues.

Mass demonstrations took place in Peru against the policy of the Belaúnde Terry government which had arranged a compromise with the IMF and transnational banks. A nationwide 24-hour strike was staged on March 22, 1984 on the initiative of the General Confederation of the Working People of Peru—CGTP—and three other major trade union centres. The strikers' main demands were the termination of the anti-popular economic policy pursued in the interests of the financial oligarchy and foreign capital, the curbing of inflation, the ensuring of employment, and the breaking of relations with the IMF. According to CGTP data nearly 90 per cent of all factory and office workers, peasants and students took part in the strike. In some towns the police used tear-gas grenades, water cannons, truncheons and even firearms. About 140 people were arrested.

Since the government, daring not "to disobey" the IMF, did not alter its economic policy, another 24-hour general strike was held on November 29, 1984 in which more than two million took part. The strikers resolutely condemned the transfer of state enterprises to the private sector, the arbitrary actions of the transnational banks, and collusion between the authorities and the IMF. The working people demanded a wage raise in keeping with the climbing cost of living, re-instatement of dismissed workers, and amnesty to political prisoners. More blood was shed in clashes with the police and many more arrests were made. Assessing the results of the strike, Valentín Pacho, CGTP general secretary, emphasized that it had revealed two basic factors: the general condemnation of the government's economic policy and a desire for change. This predetermined the defeat of the Belaúnde Terry grouping at the last election. The new Peruvian government headed by President Alan García decided, in keeping with the demands of the broad masses, to limit debt payments to foreign creditors to 10 per cent of the value of the country's exports and rejected IMF mediation in its relations with the creditors. US financial circles countered by declaring Peru a "very low solvency country", which in practice led to the refusal of many US banks to continue to extend credits to Peru. The chairman of the CGTP stated that the Peruvians regarded this action as economic aggression designed to intimidate the Peruvian people and force them on their knees. As a response to the action the working masses held a protest march in November 1985.

For the same reason 1985 was a year of mass unrest in Jamaica. On IMF "instructions" the local authorities reduced the staffs of government en-

terprises and organizations and approved a rise in housing rents and the prices of basic foodstuffs.

The 1985 increase in the prices of petrol, diesel fuel and vegetable oil was the last straw. Barricades were thrown up on roads. The authorities retaliated with cruel repression. Both police and army units were employed to disperse the demonstrators. As a result five people were killed and about twenty injured. But the government is unable to suppress the mass protests, the causes of which are not eliminated but further aggravated.

The plight of Bolivia is extremely grievous. Problems which are common for Latin American countries are burdened here with the harsh legacy of military regimes which have completely dislocated the country's national economy. The democratic civilian government which came to power in 1983 inherited an empty treasury, a colossal external debt, a deranged financial system, and impoverished masses. The downward trend was almost impossible to control in that hopeless situation. During 1984 exports dropped by 20 per cent while the budget deficit grew by 18 per cent (to one-third of the gross product). According to official data inflation reached 1,250 per cent. Six devaluations of the national currency within one year cut the value of the Bolivian peso by nearly 95 per cent.[46]

The IMF plays a fatal role in the Bolivian drama. Its ruthless terms of refinancing the foreign debt are practically unfeasible. The principal creditor wants government subsidies of foodstuffs to be stopped at a time when the majority of Bolivians are unable to properly feed their families. It demands a reduction in public capital investments,

[46] *Deutsche Volkszeitung*. February 22, 1985.

while 70 per cent of Bolivia's output is produced by the public sector.

The country is in chaos. The masses desperately oppose any measures that might bring further down the miserly living standard. But the Western creditors led by the IMF insist on precisely such measures. The situation in the country is extremely tense. Seven general strikes were staged in Bolivia in 1984 alone. Strikes and demonstrations take place one after another. Their participants demand a substantial raise in wages and salaries, control over prices, a long-term moratorium on the foreign debt and nationalization of private banks.

It is well known that the constitutional government of Bolivia announced in mid-1984 the suspension of repayment of the external debt. But the country's economy, reduced to utter exhaustion, cannot get by without external financial injections. Bolivia does need loans, but on entirely different conditions than those forced on it by the IMF and the transnational banks.

The Right forces, taking advantage of popular discontent, resorted to political manoeuvres supported by imperialist circles and managed to win the general election held in mid-1985. Ignoring the demands of the people the government of Víctor Paz Estensoro accepted the IMF terms and as a result living standards continued to fall. The working people of the country described the government's economic policy as a "hunger programme". A general strike was called in September 1985 in protest against the government's policy. The authorities used the police to break the strike and a state of emergency was declared in the country. Leaders of the trade union movement were arrested and exiled. The situation in the country remains explosive.

The working people of Ecuador also protest against the policy tied up with IMF "recommendations". Many thousands of people took part in demonstrations on January 7, 1985 in several major cities of the country in response to another rise in petrol prices (by 66 per cent) and in public transport fares (by 50 per cent). About 100 people were arrested in Quito when the police attempted to disperse the demonstrators. A 48-hour national strike was staged on January 9-10 on the initiative of trade unions amalgamated in the United Front of Working People. Its participants, joined by college students and senior school pupils, marched along city streets demanding a freeze on prices of foodstuffs and other necessities, and a wage and salary increase to compensate for inflation. The general demand was for cancelling measures adopted under IMF pressure. People were killed or wounded during clashes with police.

The government, however, remained deaf to public demands and another wave of unrest began in March 1985. The participants in mass rallies held all over the country insisted on the adoption of a bill, rejected by the governments, on raising minimum wages and salaries in keeping with the mounting cost of living. On March 20 the teaching staff of colleges and schools went on strike. A week later the largest trade union federations and several individual trade unions called a nationwide strike of protest. The struggle for changing the economic policy in Ecuador continues.

In Panama an "austerity" programme was adopted in November 1984 after the IMF demanded an "adjustment" of the country's economy as a condition for refinancing its external debt. The November programme stipulates a two-year freeze on the wages and salaries of public-sector employees, the introduction of a special seven-per-cent tax on services, an increase in other taxes, and the curtailment of construction. As the Parisian newspaper *Le Monde* pointed out, "the plan of harsh austerity affects the interests and habits of many and it cannot be said to have the support of all strata of society."[47] The popular masses promptly responded to the government's measure. On November 27 almost 150,000 people marched along the streets of Panama's capital in protest against economizing at the expense of the working people. On December 15, 1984 the biggest demonstration in the republic's history was held. More than 200,000 people marched under the slogan, "IMF's draconian terms bring hunger and unemployment to the people". The demonstrators demanded an unconditional termination of IMF interference in the internal affairs of their country. The republic's president Nicolas Ardito Barletta, who had obediently done the creditors' bidding, was forced to resign in 1985 under public pressure.

Similar demands are addressed to the International Monetary Fund, the transnational banks and the governments supporting them by the working people of Colombia and Mexico, Costa Rica and Argentina, Uruguay and Venezuela, by progressive political parties and democratic public organizations. In Chile the struggle against debt bondage is linked with the actions against Pinochet's military-fascist dictatorship.

The general attitude of ordinary Latin Americans to the policy of international finance capital and its agent, the IMF, was expressed by the Mexican newspaper *El Dia* which wrote that "the IMF stands pilloried before all of Latin America".[48]

[47] *Le Monde*. Paris, December 15, 1984.
[48] *El Dia*. Mexico, July 20, 1984.

The burden of external debt and the usurious policy of the foreign creditors affect the interests not only of the popular masses but also, to a certain extent, of the propertied classes. Not surprisingly, therefore, a process of reappraisal of values is under way in the ruling circles of Latin American countries. Many bourgeois governments in the region openly criticize the position of the financial centres of capitalism which refuse to share the cost of solving the debt problem. "It is sheer illusion to believe," Fidel Castro pointed out, "that anything can be solved by means of mere palliatives, deferment of debt repayment and traditional prescriptions. A change is to be observed in the thinking of many Latin American politicians of all trends. I would even say that there are fewer and fewer conservatives in this hemisphere because many politicians who were traditionally considered right-wing and so-called conservatives and many organizations and parties perceive the acuity and depth of the problems. Who would now venture to speak to them of the Chicago school, the lifting of customs tariffs, the possibility of the competition of the budding industry of these countries with the industry of the most advanced capitalist countries with their high productivity and state-of-the-art technology? Who will be able to convince them of the benefit of free competition at their own domestic markets between the industry of their country and that of the United States, Japan and Europe? They have tasted the bitterness of blighted hopes."[49]

[49] *Granma*. March 30, 1985. Supplement.

In Search of a Way Out

The incompatibility of national interests with the rapacious policy of the imperialist powers and their financial institutions has caused the governments of the majority of Latin American countries to more resolutely defend their positions in relations with the creditors and to work towards the establishment of a system of international financial relations that would ensure the economic progress of the region's countries.

The resistance to the debt bondage has transcended national bounds. There is a growing awareness in the region that it is only through joint efforts that Latin American countries can successfully oppose imperialist pressure, protect their national interests and search for a solution to the problem of foreign debt in keeping with these interests. As Enrique Iglesias, former Executive Secretary of the Economic Commission for Latin America and present Minister for Foreign Affairs of Uruguay, put it, "Latin America has lost the fear of collectively discussing the subject of debt."[50]

The equally desperate situation of Latin American countries choking in the same noose of debt compels them to join hands to work out a common programme in order to overcome the sternest financial crisis. To this end several conferences and consultative meetings at a high government level were held in 1984-1985.

The questions of foreign debt were discussed for the first time with great urgency and unanimity at the Latin American economic conference held in Quito in January 1984 which adopted a com-

[50] *El Pais*. Madrid, January 2, 1985.

prehensive declaration and outlined a plan of action for overcoming the crisis situation in the region. The platform of the Latin American debtors was elaborated at meetings of the "Cartagena group" of eleven states—Argentina, Bolivia, Brazil, Venezuela, the Dominican Republic, Colombia, Mexico, Peru, Uruguay, Chile and Ecuador. President Belisario Betancur Cuartas of Colombia stated that the "Cartagena agreement" adopted at the group's first conference (June 1984) manifested "the united voice of Latin America" and advanced "a reasonable proposal for the solution through negotiation of the problems created by the external debt."[51]

The solidarity of the Latin American states and their determination to fight together for a revision of the system of financial relations imposed by the imperialist powers were reaffirmed at the session of the Latin American parliament held in October 1985 in Montevideo and the ministerial conference of the Cartagena member countries which took place in December 1985 also in the Uruguayan capital.

The programme of demands set forth by Latin American states covers a broad range of questions. The first and foremost demand is for the reduction of bank rates in the United States and other capitalist countries and for a corresponding reduction of interest rates on credits granted to the region's countries. The governments of Latin American states insist on the deferment of debt service payments and a substantial easing of the terms of repayment of the previously contracted loans, including the postponement of interest payments and the reduction of commission charges for the revision of debts. The region's countries need an

[51] *Uno mas uno*. Mexico, July 21, 1984.

increase in the so-called official assistance to development. They are keenly interested in reforming the IMF procedure so that the terms of granting new loans would take into account not only the problems of the balance of payments but also the need for increasing the output of production in debtor countries and for creating more jobs. Latin American countries urge broader access of their goods to the markets of advanced capitalist states, the removal of customs restrictions and other protectionist barriers and a cardinal improvement in the terms of international trade, in particular by fixing more equitable prices on raw materials, by stabilizing these prices and maintaining a definite ratio between them and the prices on imported goods. The posing and collection of these key issues into a package of demands marked the transition from the isolated and half-hearted efforts made previously to the advancement of a broad programme of Latin American countries in the field of finance and credit.

The programme understandably gives much attention to international trade, as the problem of foreign debt cannot be solved without changing the unequal exchange with the advanced capitalist countries. It has been calculated that the maintenance of the ratio between export and import prices at the 1980 level (i.e., 25 per cent higher than in 1983) and the lowering of loan interest rates by four points would bring the region an additional 25,000 million dollars, which would enable it to repay debts without detriment to its import.[52] Other estimates show that it would be sufficient to

[52] *Políticas de ajuste y renegociación de la deuda externa en América Latina. Cuadernos de la CEPAL*. Santiago. December 1984, p. 82.

raise export prices by 10 per cent and to decrease interest rates by three points to eliminate the adverse balance of the current operations of the majority of debtor nations in Latin America.[53]

Latin American countries, having made their appeal to the advanced capitalist states, their financial organizations and private banks to share the responsibility for the leap-like growth of the external debt, also put forward the idea of a direct political dialogue with the governments of the creditor countries. The communique adopted by the conference of the "Cartagena group" held in Santo Domingo warned that, should the West snub this initiative, "there will be a serious risk to economic, social and political stability throughout the region."[54]

Latin American countries intend to discuss in the course of this dialogue such questions as the correlation between the growth of the external debt service payments (debt service payments include the payment of both the interest and the principal sum) and the dynamics of export proceeds, and the fixing of an interest-rate ceiling for revised debt payments. The governments of the region's countries will insist on increasing the credit resources of the International Bank for Reconstruction and Development (IBRD) and on the establishment of a special fund within the IMF framework for compensating foreign-currency losses due to the growth of debt service payments when interest rates rise on the international market. Other important objectives of the dialogue are to change the terms on which negotiations are conducted with the IMF on "economic stabilization"

[53] *Comercio exterior*. Mexico, 1983, No. 10, p. 965.
[54] *International Herald Tribune*. Paris, February 11, 1985.

programmes and to declare illegitimate the demands of the transnational banks that the region's countries adopt such programmes before negotiations on refinancing the external debt begin.

The striving of Latin American states to free themselves from neocolonialist exploitation in international credit relations coincides with the demands of developing countries in other regions. Despite the differences in their social and political systems the developing states display growing solidarity in the struggle to change the world monetary-credit system and settle the matters of foreign debt without detriment to national sovereignty and economic security.

This was confirmed by the programme of action adopted by the 7th summit conference of the non-aligned countries held in New Delhi in March 1983. The demands of the developing countries were set forth by "Group-77" in the "Buenos Aires platform" which the group adopted in the Argentine capital in April 1983 and presented to the 6th UNCTAD session. The resolution of the platform on external debt urged the creditor countries to take immediate complementary actions, including the restructuring of the debt, in order to revive the advance of developing countries and open prospects for their further growth, lift the restrictions on their access to new credits and ease the terms on which loans are granted by state and private banks.

It is very significant that in the course of an international meeting of economists which was held in New Delhi at the end of 1984 (and was attended by representatives of the Latin American Economic System and of individual countries of the region) the developing states denounced the IMF's policy and proposed that their share of votes in the fund be raised to 50 per cent and that the United States'

right to lay down the IMF's policy at its own discretion be eliminated. The participants in the New Delhi meeting stressed that the IMF, thus renovated, should "supervise" the policy of advanced capitalist countries whose actions are detrimental to the world economy.

Latin American countries, seeking to lessen their dependence on the banking system controlled by the imperialist forces, support the proposals of several developing countries to establish a southern bank (a joint institution of the developing countries) as an alternative to the international credit establishments of capitalism. This bank would be designed to make up the shortage of monetary resources of developing countries and provide credit for their mutual trade and joint industrial projects.

The attainment of these goals will certainly require tremendous efforts, persistence and resolution in the face of the continuing financial diktat of imperialism. But the old truth that the unity of action of Latin American countries and solidarity within the entire developing world are a vital condition for success in the struggle for economic liberation is as true today as ever.

A Burning International Issue

It would be no exaggeration to say that the acuteness and scale of the external debt crisis of the developing countries, including those of Latin America, make it one of the biggest international problems.

This multifaceted problem is closely linked with

other key issues of our time. Let us consider a few examples. There is no doubt, for instance, of the connection between the debt crisis and such global issues as the energy and food problems. It was above all the aggravation of the energy and food problems in the 1970s and 1980s that forced scores of developing countries to multiply their spendings on importing oil and food, which accelerated the growth of the foreign debt. In broader terms it can be firmly stated that the foreign debt crisis, caused primarily by growing neocolonialist exploitation, is directly linked with the problem of overcoming the backwardness of the developing countries.

It was in fact the economic backwardness and deprivation of the countries of Asia, Africa and Latin America that accounted for their inordinate dependence on the policies of the IMF, other international financial organizations and private banks of Western countries. On the other hand, the elimination of the backwardness of developing states is impossible without solving the problem of external debt.

Growing international tension and the resultant arms race which extended to many states of Asia, Africa and Latin America in the 1970s and 1980s contributed to the mounting external debt of Latin American and other developing countries. A special document of the United Nations emphasized back in the late 1970s that the arms race was increasingly a worldwide phenomenon, and, although its intensity varied markedly between regions, few countries and no major region had stayed out of it.

In the period from 1970 to 1982 alone the military spending of Latin American countries (in constant prices) grew from 5,000 million dollars to

20,000 million dollars (a fourfold increase), while the purchases of heavy weapons jumped from 154 million to 1,076 million dollars (a sevenfold increase).[55] At the same time military production of their own was being stepped up in some countries (Brazil, Argentina, Chile, etc.) where "mini" military-industrial complexes were taking shape. The development of these trends led to greater nonproductive expenditure and helped enhance the foreign debt of the region's countries. As Karl Marx pointed out, "in purely economic terms this (military preparations—*Authors*) is tantamount to a nation throwing part of its capital into water."[56]

It is significant, for instance, that according to estimates up to 20 per cent of Argentina's foreign debt is the result of the policy of sharply increasing military expenditure (from 3,900 million dollars in 1980 to 8,800 million dollars in 1982) pursued by the reactionary military regime which remained in power until 1983.

Facts show that a large share of responsibility for the arms race in Latin America rests on the United States and other Western countries. The imperialist circles are the main suppliers of arms to Latin America; their aggressive policy (the conflict in the South Atlantic, the intervention in Grenada, the undeclared war in Nicaragua, etc.) impels the region's countries to expand their military spending. As Lenin stressed, imperialism leads "to further militarization in all countries, even in neutral and small ones."[57]

But there is also the flip side of the coin. The

[55] *World Armaments and Disarmament: SIPRI Yearbook 1983*. London, 1983, pp. 161, 290-291.

[56] K. Marx, F. Engels, *Works*, Vol. 46, Part I, p. 67 (Russ. Ed.).

[57] V. I. Lenin. *Coll. Works*, Vol. 23, p. 82.

Reagan administration is known to have sharply increased US military spending (from 160,000 million dollars in the 1981 fiscal year to nearly 300,000 million dollars in 1985)[58] and urged its Western allies to follow suit.This required immense funds, part of which were drawn from developing, including Latin American, countries, in particular by considerably raising bank rates, which led to the "escape of capital" from Latin America to the United States. What is more, to a certain extent the region's countries finance the continuing arms race in the imperialist centres by paying thousands of millions of dollars each year to meet the external debt.

In proposing a programme of concrete disarmament measures and the complete elimination of the threat of nuclear war during the period ending in 2000 the General Secretary of the CPSU Central Committee emphasized in his statement of January 15, 1986: "Initially active steps to halt the arms race and reduce weapons is a necessary prerequisite for coping with increasingly acute global problems—those of the deteriorating state of man's environment and of the need to find new energy sources and combat economic backwardness, hunger and disease. The pattern imposed by imperialism—arms in place of development—must be replaced by the reverse order of things—disarmament for development. The noose of the trillion-dollar foreign debt, currently strangling dozens of countries and entire continents, is a direct consequence of the arms race. The more than 250,000 million dollars annually siphoned out of the developing countries is practically equal to

[58] *Budget of the United States Government. Fiscal Year 1984, Summary Tables*, Washington, pp. 9-48.

the size of the mammoth US military budget. Indeed, this is no chance coincidence."

There is an ever-growing awareness in the political and public circles of Latin America that this situation is impermissible. This is evidently one of the reasons for the notable increase in activities of representatives of Latin American countries for peace and disarmament. "The destiny of Latin America is fundamentally linked with the maintenance of peace in the world," stressed the Montevideo Declaration (March 1985) signed by the heads of government of Argentina, Bolivia, Colombia, Costa Rica, Nicaragua and Guatemala and by a representative of the president of Brazil.

There is an obvious and indissoluble connection between the economic problems of developing countries, including external debt problems, and the tasks of a cardinal improvement in the international situation, the termination of the arms race, and disarmament. Numerous facts and the experience of the world development in recent years prove beyond any doubt that it is impossible to eliminate the backwardness of developing countries and positively settle the burning issues of their social life (including the external debt problem) without putting an end to the arms race and restoring the climate of detente. The successful advancement along the path of restructuring the international economic relations on the principles of equality and mutual benefit can be ensured only by a universal approach which organically links detente and development. Another necessary condition for success is the unity of action of all democratic and anti-imperialist forces on the basis of the alliance of socialism with the national liberation movement, whose basic interests in this sphere essentially coincide.

This is how the situation is assessed by the Soviet Union and other states of the socialist community. The USSR confirms this principled position both by its tireless struggle for peace and its approach to the external debt problem.

The Soviet Union and other socialist states resolutely reject the imperialist powers' policy of employing financial levers for further subjugating Latin American and other developing countries; they come out for the settlement of the foreign debt problem with due account for the vital interests of the debtor nations and the responsibility that rests with the imperialist powers, which are guilty of staging the "debt drama". The declaration adopted by the summit economic conference of the member states of the Council for Mutual Economic Assistance held in Moscow in June 1984 stressed that "they advocate the regulation of monetary and financial relations, oppose the policy of high interest rates and support the normalization of terms under which credits are granted and repaid so that those terms, particularly where the debts of the developing countries are concerned, should not be used as an instrument of political pressure and interference in internal affairs."[59]

The socialist states maintain a constructive position on questions relating to a restructuring of international economic relations and support the demands of the developing countries for the implementation of the basic provisions of a new international economic order. In a Memorandum of the USSR government "International Economic Security of States: an Important Condition for the

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[59] *Documents and materials of the top-level economic conference of the CMEA member states. June 12-14, 1984.* Moscow, 1984, p. 28.

Improvement of International Economic Relations" of January 27, 1986, it is pointed out that one of the most important tasks is "implementation of the UN resolutions on restructuring international economic relations on a fair and democratic basis first and foremost the Charter of the Economic Rights and Duties of States and the Declaration on the Establishment of a New International Economic Order".

The Soviet Union has proved in practice its solid devotion to such basic principles of international relations as non-interference in internal affairs, respect for national sovereignty and mutual benefit; its economic policy in regard to Latin American and other developing countries reflects its sincere desire to lend as much assistance as possible for the solution of the social and economic tasks facing these countries. Credits granted by the Soviet Union do not create any problems for the recipient countries but rather serve as an important additional incentive to their economic development. Both the interest rates and the forms of repayment of these loans are beyond all comparison with the usurious terms of the creditors from imperialist countries.

Soviet credits are granted primarily for the implementation of major projects in industry, agriculture and infrastructure and serve not only to strengthen the economic potential of the recipient countries but also to increase their export resources or reduce their requirements for imported goods. For instance, the Argentine-Uruguayan hydroelectric station Salto Grande, built with Soviet assistance, provides over 20 per cent of Argentina's demand for electricity and generates three times more power than Uruguay needs at present. Thanks to Salto Grande the two countries

save annually a total of 1.7 million tons of oil worth about 200 million dollars. The Soviet Union also helped Bolivia design and build one of the world's largest and most advanced tin-processing plants, adding considerably to the country's export capacity. With Soviet assistance Brazil has built an installation producing ethyl alcohol used as fuel for internal combustion engines, which has contributed to the implementation of Brazil's programme for reducing oil import. The Soviet Union has been buying considerable quantities of Argentina's farm produce, of Ecuadoran bananas, Uruguayan hides, Brazilian soybeans, Bolivian tin, Colombian coffee, etc. The growing export of raw materials and manufactured goods to the Soviet Union helps stabilize the volume of Latin America's foreign trade and restrict the profiteering operations of transnational corporations on the markets of agricultural and mineral raw materials. This factor is of particular importance today when the world capitalist economy is badly destabilized and the advanced capitalist countries impose more restrictions on the import of Latin American goods.

Another important point is that the balance of Latin America's trade with the Soviet Union has been on the whole favourable for the former. This additional source of foreign currency is of considerable benefit to Latin American countries.

The Soviet Union does not and cannot bear responsibility for the financial crisis in Latin America. But in view of the grave situation in the region the Soviet Union follows the line of further increasing its purchases of Latin American goods on a planned and reciprocal basis. For instance, the agreement signed in 1983 under which Peru repays Soviet credits with its raw materials and manufactured goods has evoked broad favourable

response. Such an approach to the settlement of debts is an efficient means of solving the debt problem and meets the vital need of Latin American countries for stepping up the rates of economic growth and expanding export. As was pointed out by the Peruvian newspaper *El Diario*, this is "an exceptional case in the history of the foreign debt crisis in Latin America ... and the agreement with the Soviet Union opens new prospects in this field."[60]

The Soviet Union's attitude was highly appreciated by Armando Villanueva, General Secretary of Peru's ruling party APRA, who stressed that the Peruvian government expected similar constructive steps from other creditor countries. "Regrettably," Armando Villanueva said, "we meet with no understanding on the part of the US government."

The Soviet Union also makes a tangible contribution to easing the external debt problem by purchasing Latin American goods on a purely commercial basis. The USSR's policy in matters of trade with Latin American countries is aimed at further expanding mutually advantageous relations, in particular by signing medium and long-term agreements for the purchase of traditional Latin American export goods and manufactured articles and the reciprocal deliveries of the products of the Soviet engineering industry.

The Soviet Union and other socialist states are prepared to further their relations with Latin American countries on a mutually beneficial basis. As the declaration of the CMEA countries (June 1984) pointed out, "they will continue to do what they can to give economic and technological assistance to the states which have won freedom and independence in their efforts to develop their national economies."[61]

At the same time the Soviet Union, fully aware of the particularly complex nature and the international scope of the foreign debt problem, believes this issue should become a matter of concern for the entire world community. "The time seems to be coming," stressed Mikhail Gorbachev, General Secretary of the CPSU Central Committee, "when the questions of establishing equal international economic relations without any discrimination and of a new international economic order, including the problem of the developing countries' indebtedness, will have to be discussed internationally on a large scale."

Thus the problem of external debt also requires a comprehensive international solution through the purposeful efforts of the world community in the interests of peace, security and equitable economic cooperation of all countries and nations. It is essential that the real perpetrators of the "debt drama" admit their responsibility and take part, not in words but in deeds, in resolving the external debt crisis of the countries of Asia, Africa and Latin America taking into account the requirements for their economic and social development.

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[60] *El Diario*. Lima, November 28, 1984.

[61] *Documents and materials of the top-level economic conference of the CMEA member states*, p. 30.

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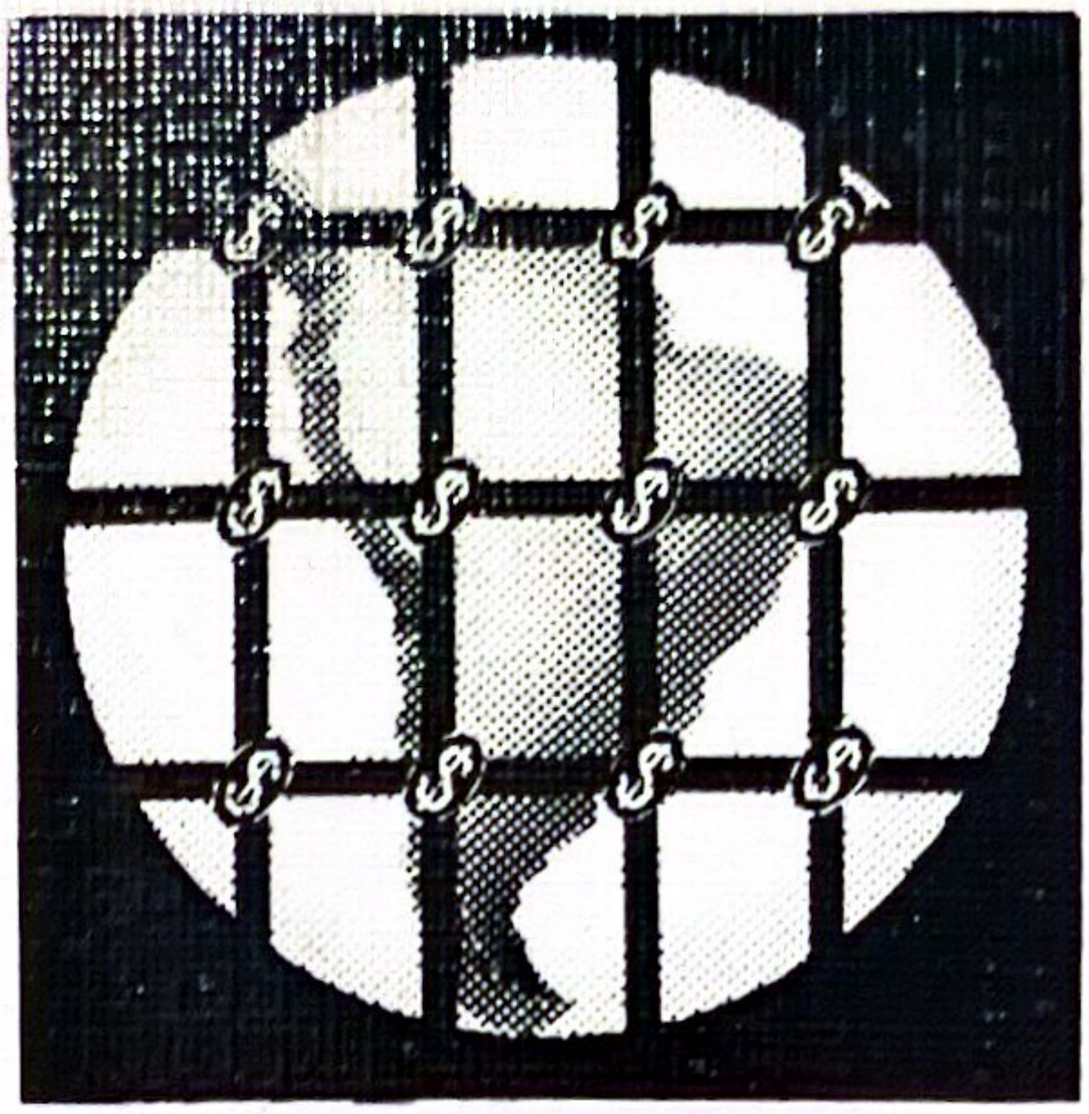

THE BONDAGE OF DEBT

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